

July 1, 1999

To: Peterborough Economic Development Authority (EDA)  
From: Peterborough Conservation Commission  
Re: EDA Economic Policy Plan

Conservation Commission members welcome the opportunity for comment on the Economic Development Authority's draft Economic Policy Plan, the result of much thought, work, and committee process on the part of EDA members.

There are many areas of agreement that we look forward to discussing, as well as some points of clarification, but in our written response we have chosen to focus on four key areas where EDA and Conservation Commission perspectives appear to differ.

### **1. The costs of residential and commercial/industrial development**

As the EDA draft report states, residential development is costly for a town. Since the early 1930's, cost-revenue studies countrywide clearly have shown the fiscal drain of residential development--mostly because of associated school costs, as well as the costs of other town services and infrastructure needed to support a town's population. Logically, many towns have chosen to seek commercial/industrial development to compensate for the obvious annual revenue shortfall caused by residential development. The success of that choice is now being assessed, and the information coming in suggests that commercial/industrial land use has considerable hidden costs. We cite a number of studies.

One report by a group of Harvard University professors of public policy and planning concludes:

The traditional view of the matter, which prevailed into the 1970's, was that most development "pays its way."  
The emerging view today is that virtually no development does.  
(Altshuler et al., 1991)

Towns in the path of development have seen their taxes rise along with their tax base, no matter if it is residential development or commercial/industrial development that increases the tax base. A series of studies of New England states including New Hampshire found that property tax bills in general are higher in towns with the following characteristics:

- ▶ a larger tax base
- ▶ more residents
- ▶ more employment
- ▶ more retail sales
- ▶ a higher commercial, industrial and utility taxable property value
- ▶ a more dense population
- ▶ a low percentage of land set aside as open space

(Ad Hoc Associates, 1993)

A 1992 study by the DuPage County (Illinois) Development Department concluded the following:

Based on a representative sampling of tax codes within DuPage County between 1986 and 1989, there is a significant statistical relationship between development (both residential

and nonresidential) and increases in personal property taxes. Nonresidential development (which includes commercial, office and industrial land uses) is a major contributor to property tax increases in DuPage County.

(DuPage County Development Department, 1992)

The study also found that when development was rapid and unplanned, non-residential development led to three times the public costs of residential development. In 1995, a broader study of six additional Illinois counties was conducted with similar results. (Metropolitan Planning Council, 1995)

Closer by, the regional planning commission that serves New Hampshire's seacoast area recently conducted a study that concluded:

In communities throughout this region and this state there is a widespread belief that non-residential land development is unequivocally good for property taxes. Planning boards are the primary land use permitting boards in communities, and they are under a tremendous amount of pressure, both self-imposed and external, to make land use decisions which will achieve property tax relief... Contrary to conventional wisdom, it is not clear that a public policy of attracting non-residential development will result in property tax benefits... Our region's planning boards must remain focused on sound land use planning and avoid the temptation to chase the mirage of property tax relief.

(Strafford Regional Planning Commission, 1998)

Commercial/industrial development appears to be very profitable when a town's annual tax revenues and expenditures are studied, but such a study does not take into account the long-term, indirect costs of development. The DuPage County study points to two main factors that drive up community costs in the wake of commercial/industrial development: "1.) nonresidential uses bring in additional workers, shoppers, and others which in turn create demands for increased government services" including infrastructure wear and tear; and 2.) the increase in jobs brings new residents who more often than not move from more developed areas that offer a greater range of community services. The newcomers expect the same level of services: roads without potholes and frost heaves, good recreation programs, state-of-the-art schools, library, sidewalks, streetlights, roads that are plowed immediately after a snowstorm, etc.

These services often increase quality of life, but not without a high price tag that can become even higher when a certain housing density is reached and town sewer needs to replace individual septic, or a new landfill or recycling center needs to come on line, or a new town well or expanded school.

The EDA report clearly indicates that residential development is costly for a town. However, it also portrays commercial/industrial development as profitable. Accordingly, the report recommends that Peterborough rezone an additional 200 acres from residential to commercial/industrial. It also recommends that town water, sewer, and traffic capacity be expanded to accommodate the increase.

Given the results of a new generation of studies that suggest that commercial/industrial development has considerable hidden costs, the

Conservation Commission recommends a rigorous analysis of commercial/ industrial development that includes its costs as well as its assumed benefits.

## **2. Jobs**

Historically, by virtue of its two rivers, Peterborough quickly became a regional market town and industrial center, as well as the active crossroads of two major highways. Because of its location, development and developers naturally find Peterborough desirable--so much so that in 1990 Peterborough had almost twice as many jobs as its employed population (4,666 jobs for its 2,612 working residents). As the EDA report also states, non-residents held 67% of those jobs. To complete the picture, 58% of Peterborough's employed population worked within the town. Despite its reputation for being anti-business, Peterborough is home to an abundance of businesses. A recent (June 3, 1999) Peterborough Transcript editorial stated: "There are a whopping 299 employers in Peterborough."

The EDA draft report recommends the creation of more jobs for Peterborough residents. It warns of the dangers of becoming a commuter community, including the probable loss of community spirit, if more than 50% of the town's working residents have to leave town to find work. The sources of community spirit are difficult to determine. However, as one indicator of its presence, the smaller a town the more townspeople attend town meeting, suggesting that community spirit is more a matter of a town's size than its commuting patterns. Many of the towns that the EDA report lists on page 6 as commuter towns are small towns bursting with community spirit despite their high commuter numbers.

If Peterborough aggressively seeks new jobs as the EDA report recommends, the figures on page 5 of the report show that for every 100 jobs created in Peterborough, approximately 67 will be taken by non-residents. Studies also show that 30-50% of new jobs created in any town will be filled by new residents attracted to that town by the new jobs (Bartik, 1993). Those new residents will increase demands for services (school, library, police, town administration, etc.), as well as demands on the town's infrastructure. The upward trend of public costs continues, along with the pressures to raise taxes to pay those costs.

The Conservation Commission recommends that quality of jobs be stressed, not quantity; that Peterborough's job potential be maximized by cutting job "leakage"-- jobs and contracts that are leaving town unnecessarily; that small businesses be supported in recognition that they are the true source of job growth while larger operations continue to downsize.

## **3. The costs of development--a taxpayer's 'right to know'**

A study conducted by taxpayers in Thurston County, WA, who were concerned about the costs of growth found that of every dollar spent for public services and infrastructure (sidewalks, schools, parking, DPW equipment and manpower, etc.), 43.8 cents was actually subsidizing growth by expanding services and infrastructure capacity in anticipation of growth. As a result of the study, the city of Olympia, WA, is considering increasing impact fees that it charges developers. (As cited in Fodor, 1999, page 100.)

The DuPage County study referred to above states:

...taxing districts may not be fully aware of the cost implications of new development, particularly nonresidential growth. Therefore, a means of determining direct and indirect cost impacts on all taxing districts should be considered to bring these impacts into the decision making process.

Fiscal Impact Analysis is a planning tool that helps many towns understand and deal with the costs of growth. Many towns facing rapid growth require an impact analysis for any multi-unit residential development or commercial/industrial development over a certain size. At a minimum, Fiscal Impact Analysis assesses a development's impact on town water and sewer, on local schools, on local roads and traffic patterns. Once the costs are estimated, many towns have chosen to require impact fees from the developer or buyer or both, although as yet no town has assessed full impact costs. (Fodor, page 103)

At hand in Peterborough are two residential developments approved by the town last winter: at the outskirts of town, a Burke Road development of 47 single-family houses; and near the high school, a Southfield Lane 50-unit apartment complex. As an important fiscal "right to know," taxpayers should be aware of the costs they are paying for any significant development in town.

We recommend that the town adopt a policy of Fiscal Impact Analysis for multi-unit residential developments and any major commercial/industrial project, including the proposed rezoning of 200 acres for commercial/industrial use.

#### **4. The value of open space--few costs; many benefits**

Open space (undeveloped land) generates few costs for a town, and accordingly is taxed at a lower rate than land uses that do generate public costs. Cows don't go to school, or require a municipal swimming pool, or add to traffic congestion. Turn a roadside forest into an industrial park and the wear and tear on town infrastructure and service capacity increases. Studies show that all development comes with a price tag, whereas open space lands continue to pay in more than they take out. By working to keep cows in the field (not houses), and trees in the roadside forest (not an office park), a town can avoid the upward trend of costs.

Some towns have learned to pursue open space as aggressively as others pursue commercial/industrial growth. At a public hearing last January, Amherst selectmen appealed to the town to vote a \$750,000 bonding authority as a standby fund in the event that strategic land comes on the market. The proposal was endorsed by Amherst selectmen as a means of curbing tax growth by curbing development. Said head Selectman Richard Verrochi: "We are asking voters to look beyond this year, down the road 10 to 20 years. We are asking you to participate in generational planning." (Milford Cabinet, 1/20/99) Towns in New Hampshire increasingly are passing multi-million dollar bond issues for open space.

As members of the Conservation Commission, we tend more naturally to speak about open space in terms of ecological functions or wildlife sightings or trail potential or outright beauty. But as open space disappears, we are learning to speak about it in fiscal terms, hoping that others will value it more.

A recent statewide study divided open space revenues into four categories: Agriculture, Forestry, Tourism/Recreation, and Vacation Homes. The study found that in 1996/97, open space produced \$3.5 billion in direct expenditures or 25% of

the gross state product, and generated a total direct and indirect impact of \$8.2 billion a year in economic activity. It provided 100,000 jobs (16% of all civilian jobs), and generated \$891 million in state and local tax revenue (35% of the total). (Resources Systems Group, Inc., 1999)

The study did not include property values increased by proximity to open space. Nor did it touch on the costs of lost open space--of decreased air, water and soil quality; of increased noise and traffic congestion; of decreased visual quality; lost wildlife habitat; lost forest and farm resources. The price of lost water quality, for one, can be steep. Peterborough currently is bringing a new town well on line after industrial contamination forced the closing of the South Well. Price tag for the new well is an estimated \$1.6 million.

Our homes also have a value that needs protection. Herbert Smith writes in The Citizen's Guide to Planning, a book handed out to members of Peterborough's Long Range Planning Commission:

...citizens should feel confident that the residences they buy today are protected from an investment standpoint, that their neighborhoods are not going to deteriorate because of undesirable development. (Smith, 1993)

At Planning Board and Zoning Board of Adjustment hearings, developers often have lawyers and real estate agents speaking in their behalf, whereas the homeowner/abutter stands alone, inexperienced in Town Code matters. And there are many other well organized voices for development in town.

The residential property owner has no advocate. We recommend that the town consider methods of public advocacy on behalf of the property owner.

We also join the EDA in support of an Open Space Policy Plan for the Master Plan update, and look forward to working with others on its formation.

### **In conclusion**

Many people live in Peterborough because of the amenities of its size and country setting. A country town by definition does not offer the job or shopping opportunities of an urban town. The catch-22 of pursuing more jobs and shopping opportunities and commercial/industrial activity is that achieving them will quite possibly mean the end of a good country town. People moving in from more developed areas don't know what has been lost, but townspeople who have lived here a good while do.

We believe that Peterborough has a chance to learn from mistakes made elsewhere. The old models of growth as measured by numbers (of cars sold, or housing starts, or acres developed, or gross national product) is not working as taxes and expenses rise and we risk running out of open space.

The Conservation Commission endorses a stable economy where growth is measured in quality not quantity, and what we have is used to its fullest and best capacity. We support the EDA's recommended inventory of vacant commercial/industrial space--including space that is under-used. The 1994-95 Peterborough Development Planning Project that involved well over 100 townspeople identified "the Peterborough Plaza and nearby properties" as an under-utilized area with great potential for mixed-use development that would create another strong core area similar to the downtown. (Development Planning Project, 1995)

We question whether an industrial park, as recommended by the EDA report, is a good fit for Peterborough; whether it is the way of the future; and whether it is worthy of taxpayer subsidy through infrastructure extension.

During the year-long Development Planning Project, townspeople reached consensus that Peterborough “benefits by being the center for many services which it provides to the surrounding region,” and that that role should continue-- but not if development comes to the point of compromising quality of life.

The first guiding principle of the EDA draft report states on page 3: “Peterborough should remain a major economic center of the region.” However, if Rindge, Jaffrey, Hillsboro and Keene are in a race for development, does that guiding principle mean that Peterborough is obligated to stay in the race?

In a recent conversation, Phil Herr, the planning consultant who shepherded Peterborough through the year-long Development Planning Project, cautioned that economic development often is misinterpreted as real estate development. There are models of economic growth that do not rely on real estate development and loss of open space.

The first step is realizing that the old solutions are not working: new development does not pay the bills generated by old development; instead, new development creates new costs of community services and infrastructure.

The EDA has worked hard on its draft economic plan for Peterborough, and has invited public comment to help shape the final report that is to be adopted as part of the town’s Master Plan. An informed public is essential to the process. We offer this written response in an effort to add to that information.

We thank the EDA for soliciting our response.

#### Sources:

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